

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 EA-07 NEA-10 ISO-00 CAB-02 CIAE-00

COME-00 DODE-00 DOTE-00 INR-07 NSAE-00 FAA-00

XMB-02 L-03 H-01 PM-04 NSC-05 SP-02 SS-15 TRSE-00

OMB-01 /080 W

-----071336Z 100461 /45

P R 071010Z APR 77

FM AMEMBASSY JIDDA

TO SECSTATE WASHDC 7939

INFO AMEMBASSY ROME PRIORITY

AMEMBASSY LONDON

AMEMBASSY SANA

AMEMBASSY PARIS

AMEMBASSY SEOUL

AMEMBASSY ATHENS

AMEMBASSY TAIPEI

AMEMBASSY BEIRUT

AMEMBASSY BRUSSELS

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ROME FOR RCAA, BRUSSELS FOR FAA

DEPARTMENT PASS COMMERCE FOR COHEN,

HALE, MYERS; FAA FOR CARY AND CARMICHAEL; EXIMBANK

E.O. 11652: N/A

TAGS: EAIR, ETRD, BEXP, SA

SUBJECT: SAUDIA FLEET EXPANSION AND LINES OF DEVELOPMENT

1. RCAA DWOR, EMBASSY ECON OFFICER BROWN, LEARNED DURING
APRIL 5 AND 6 VISITS SAUDIA EXECUTIVE STAFF (INCLUDING EXECUTIVE
V.P. BURDETTE, V.P. FLIGHT OPERATIONS L.M. HECKER, ASST.
V.P. EXTERNAL AFFAIRS ERSELCUK, MANAGER MARKET PLANNING GANZ,
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AND MANAGER ADVANCED SCHEDULE PLANNING CARMICHAEL) THAT
SAUDIA BOARD HAS APPROVED IN PRINCIPLE AIRLINE'S INTERIM FLEET
PLAN 1978-1979 WHICH PROVIDES FOR FOUR NEW AIRCRAFT. AS RESULT,
AND SUBJECT APPROVAL BOARD CHAIRMAN SULTAN, AIRLINE EXPECTED
TO PLACE ORDERS WITHIN NEXT SEVERAL WEEKS FOR TWO LOCKHEED-
CALIFORNIA L-1011-200 TRISTARS, VALUED AT \$80 MILLION INCLUDING
SPARES, FOR DELIVERIES DECEMBER 1978 AND JANUARY 1979, AND TWO BOEING

ADVANCED 737-268 TWINJETS, VALUED AT \$20 MILLION INCLUDING SPARES, FOR DELIVERIES FEBRUARY AND MARCH 1979.

2. AIRLINE FORMULATING FLEET PLAN 1980-1984, WHICH WILL BE COMPLETED LATE FALL COVERING PLANNED NEW AIRCRAFT ACQUISITIONS FOR DELIVERIES TO DECEMBER 31, 1984, AND EXPECTED TO CONSIDER AND EVALUATE POSSIBLE BROADENING OF WIDEBODIED FLEET TO INCLUDE LONG-RANGE BOEING 747-268B'S, 747-SP-68'S, AND DOMESTIC/GULF AIRBUS INDUSTRIE A-300B2'S(OR A-300B2K'S)

3. FINAL CONTRACT SIGNATURE, COVERING \$120 MILLION BOEING 747-SP VIP, ORDERED BY SAUDIA FOR H.M. KING KHALID LAST YEAR, ANTICIPATED WITHIN NEXT FOUR WEEKS WITH AIRCRAFT DELIVERY TO ROYAL FLIGHT RIYADH YEAR END 1978 OR EARLY 1979. 747-SP VIP, ENGINE SELECTION NARROWED TO PRATT AND WHITNEY JT9D-7J (50,000 POUNDS THRUST DRY) AND ROLLS-ROYCE RB-211-524B (50,000 POUNDS THRUST DRY), WITH P AND W STRESSING THEIR ENGINE'S PAYLOAD/RANGE SUPERIORITY (11,000 POUNDS OR 310 NAUTICAL MILES). FINAL SELECTION DUE NEXT SEVERAL WEEKS.

4. SAUDIA'S PRESENT 28-AIRCRAFT FLEET CONSISTS OF FIVE LOCKHEED-CALIFORNIA 253-SEAT L-1011-1/100 TRISTARS (ALL TO BE MODIFIED TO L-1011-200'S BETWEEN AUGUST 1977 AND MAY 1978 AT BRITISH AIRWAYS-HEATHROW), FIVE BOEING 143-SEAT 707-368C'S, ONE BOEING 707-368C VIP ASSIGNED TO ROYAL FLIGHT, FIFTEEN BOEING 102-SEAT ADVANCED 737-268 TWINJETS, ONE BOEING 143-SEAT 707-373C, ONE BOEING 707-373C ALL-CARGO. SAUDIA AIRCRAFT ON ORDER INCLUDE THREE L-1011-200'S FOR DELIVERY MAY, SEPTEMBER, LIMITED OFFICIAL USE

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DECEMBER 1977, BUILDING TRISTAR FLEET TO EIGHT; TWO 707-368C'S FOR DELIVERY APRIL, JULY 1977, BUILDING 707-368C/373C FLEET TO TEN; TWO ADVANCED 737-268'S FOR DELIVERY APRIL 1977, JANUARY 1978 BUILDING TWINJET FLEET TO SEVENTEEN; ONE 774-SP VIP ASSIGNED TO ROYAL FLIGHT FOR DELIVERY DECEMBER 1978 OR JANUARY 1979.

5. AIRCRAFT WETLEASED (INCLUDING FLIGHT CREWS) FROM OTHER AIRLINES INCLUDE THE FOLLOWING: TWO (INCREASING TO THREE SEPTEMBER 1) MCDONNELL-DOUGLAS DC-8-63CF FREIGHTERS FROM SEABOARD WORLD EFFECTIVE APRIL 1, 1977; TWO BOEING 747-200B COMBIS FROM MEA EFFECTIVE JUNE 1, 1977; ONE BOEING 707-320C (PASSENGER) FROM MEA TERMINATING MAY 31, 1977; ONE BOEING 707-320C FREIGHTER FROM MEA TERMINATING AUGUST 31, 1977; THREE FOKKER-VFW F-27'S FROM HUGHES AIR WEST TERMINATING OCTOBER 31, 1977; SAUDIA'S TWO 386-SEAT BOEING 747-200B COMBIS WETLEASED FROM MEA WILL BE DEPLOYED EFFECTIVE ON JUNE 1, ON FIVE ROUND-TRIP FREQUENCIES WEEKLY RIYADH-LONDON, SEVEN ROUND-TRIP FREQUENCIES WEEKLY RIYADH-CAIRO AND SEVEN ROUGD-TRIP FREQUENCIES WEEKLY JIDDA-CAIRO, YIELDING AN AVERAGE DAILY

UTILIZATION 9.7 HOURS PER AIRCRAFT.

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6. SAUDIA TRISTAR FLEET, EFFECTIVE JUNE 1, DEPLOYED ON EIGHT
ROUND-TRIP FREQUENCIES WEEKLY JIDDA-LONDON (ONE VIA ROME),
THREE ROUND-TRIP FREQUENCIES WEEKLY JIDDA-CAIRO, THREE
ROUND-TRIP FREQUENCIES WEEKLY DHAHRAN-CAIRO, FOUR ROUND-TRIP
FREQUENCIES WEEKLY JIDDA-BOMBAY (TWO VIA DHAHRAN, TWO VIA
RIYADH-DUBAI), FOUR ROUND-TRIP FREQUENCIES
WEEKLY JIDDA-KARACHI (ONE VIA DHAHRAN-DUBAI, ONE VIA DHAHRAN,
ONE VIA RIYADH, ONE VIA RIYADH-DUBAI), AND TWENTY-ONE DOMESTIC
TURNAROUND ROUND-TRIP FREQUENCIES WEEKLY JIDDA-RIYADH, YIELDING
AN AVERAGE DAILY UTILIZATION 7.6 HOURS PER AIRCRAFT.

7. SAUDIA TRAFFIC GROWTH CONTINUES AT RAPID PACE WITH FOLLOWING
INCREASES FULL-YEAR 1976 OVER 1975: DOMESTIC RPK'S (REVENUE
PASSENGER KILOMETERS) UP 88.2 PERCENT, INTERNATIONAL RPK'S UP
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57.4 PERCENT, SYSTEM RPK'S UP 70.8 PERCENT; DOMESTIC PASSENGER LOAD FACTOR PLUS SEVEN POINTS TO 73 PERCENT, INTERNATIONAL PASSENGER LOAD FACTOR PLUS ONE POINT TO 62 PERCENT, SYSTEM PASSENGER LOAD FACTOR PLUS THREE POINTS TO 66 PERCENT. SAUDIA PROFITABILITY PROSPECTS 1976 AND 1977 HEAVILY CONSTRAINED BY HIGH COSTS OF EXPATRIATE PERSONNEL (INCLUDING SALARIES AND ALLOWANCES, PARTICULARLY HOUSING) AND GOVERNMENT ORDERED 25 PERCENT REDUCTION IN DOMESTIC FARES EFFECTED JULY 1975.

8. SAUDIA EXPECTATION THAT YEMEN AIRWAYS/SAUDIA MANAGEMENT AGREEMENT WILL BE FINALIZED WITHIN FOUR MONTHS (WHICH WILL TRIGGER PROBABLE YEMEN AIRWAYS ORDER FOR TWO BOEING ADVANCED 737-200'S VALUED AT \$20 MILLION.)

9. PRELIMINARY JOINT-VENTURE AGREEMENTS HAVE RECENTLY BEEN CONCLUDED BETWEEN SAUDIA AND KAL (KOREAN AIR LINES) AND BETWEEN SAUDIA AND CAL (CHINA AIRLINES) COVERING PROFIT POOLING (50:50) ON KAL AIRCRAFT (A-300BY, DC-10-30, 707-320C) AND CAL AIRCRAFT (707-320C) OPERATING BETWEEN FAR EAST AND SAUDI ARABIA.
PORTER

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Message Attributes

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